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ANNUAL REPORT 1965

GILL



INTERPROVINCIAL LINES LTD.



LISTED: THE VANCOUVER STOCK EXCHANGE



GILL Management Team, from left to right: Gary McIntosh, Assistant General Manager; Ed Schulz, Transportation Manager; Bill Ferrier, General Sales Manager; Esmond Lando, President; Jim McDuff, Vice-President and General Manager; John Shaw, Traffic Manager; Tom Ryley, Chief Accountant.

GILL INTERPROVINCIAL LINES LTD.

CAPITALIZATION

AUTHORIZED: 500,000 COMMON SHARES

ISSUED: 328,820 COMMON SHARES

OFFICERS AND DIRECTORS

President
ESMOND LANDO, Q.C.

Secretary-Treasurer
HAROLD FREEMAN

General Manager
JAMES McDUFF

Directors

ESMOND LANDO, Q.C., Vancouver, B.C. / JOSEPH LARKHAM COLLINS, Vancouver, B.C.

HAROLD FREEMAN, Vancouver, B.C. / MORLEY KOFFMAN, Vancouver, B.C.

JAMES McDUFF, North Vancouver, B.C. / IRVING GOULD, Toronto, Ontario

NATHAN LOUIS SANDLER, Forest Hill, Ontario

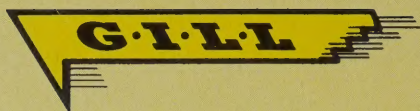
TRANSFER AGENT AND REGISTRAR: EASTERN & CHARTERED TRUST CO., Vancouver, B.C., and Toronto, Ont.

AUDITORS: FREDERICK GRAHAM & CO., Vancouver, B.C.

HEAD OFFICE: 4878 MANOR STREET, NORTH BURNABY, B.C.

BRANCH OFFICES: TORONTO / MONTREAL / OTTAWA / LONDON / HAMILTON

LISTED: THE VANCOUVER STOCK EXCHANGE



President's Report to the Shareholders

In reviewing the performance of your company during 1965, its first full year as a public company, the outstanding characteristic can be described in one word "expansion." This expansion is the feature of the year not only in terms of your company's operations or of the transport industry generally, but also in the rapid growth of the national economy. It projects new opportunities for your company's further development as one of Canada's leading highway transport firms. In the past year we achieved a new record in both revenue and earnings.

During a year marked by an operational reorganization in which many non-recurring expenses were incurred, your company's gross revenue increased by 19.13% over the previous year to a total of \$4,771,081.00.

Consolidated net profits before provision for income tax amounted to \$532,178.00, representing 11.15% of gross revenue as compared with the previous year's 9.17%. Income taxes for 1965, in the amount of \$267,335.00, were more than double the preceding year's \$102,190.00, an explanation of which is provided in the auditor's Note 1 accompanying the consolidated balance sheet.

Net earnings after taxes amounted to \$264,843.00 equal to 81 cents per share on the 328,820 shares outstanding at the end of 1965. This compares with \$254,639.00 or 78 cents per share on 326,120 shares outstanding at the end of 1964.

In our first year as a public company a dividend of 25 cents per share was declared and paid on a semi-annual basis. This rate of dividend is expected to continue in 1966.

I am also pleased to announce that as of Monday, April 4th, of this year, the shares of your company were accepted for listing in the industrial division of the Vancouver Stock Exchange.

Working capital at December 31, 1965, showed an increase of \$121,886.00 to \$460,-

331.00, representing a ratio of current assets to current liabilities of 1.4:1. This was a slight decrease from the 1.6:1 ratio of the preceding year reflecting a significant increase in accounts receivable and resulting increase in current liabilities. This was accounted for by arrears in billing consequent upon the installation last October of punched cards billing procedures. I am happy to report that these arrears have now largely been remedied.

Expansion and Operational Reorganization

Early in 1965 your company effected a complete change of route to Eastern Canada from trans-American highways to Trans-Canada. At the same time we also put our new "doubles" trailers into operation. Both moves have proven to be of great benefit to the company, and after early problems of adaptation were overcome, operations are now proceeding smoothly. The new doubles units operate well even in adverse weather conditions, and carry an average weight of 40,000 lbs. pay-load to both east and west.

On September 2nd, last, your company's splendid new Vancouver terminal was officially opened contributing greater efficiency to overall operations. This new fully equipped terminal, the most modern in Western Canada, is situated on five acres in the centre of Greater Vancouver's new industrial area adjacent to the freeway.

During the past year our diesel power tractor average has been increased by one-third to 39 line tractors. Twenty more trailers have been added to bring the total in operation to 147, while the number of pick-up trucks and tractors has been increased from 40 to 49.

For operational efficiency a complete radio dispatch system was installed in the two major terminals to co-ordinate with the new magna-card grid system making for simplified and easy dispatch. It is of interest to note also the installation of our new electronically adjusted trailer washing machine, which allows one man to wash up to 30 trailers in an 8-hour day.

In addition your company has installed an IBM data centre in the head office for streamlining billing procedures. This equipment is being expanded to handle full accounting functions and statistical analyses for all departments.

The introduction of sophisticated equipment is enabling reorganization efficiencies to be introduced rapidly, and to continue your company's leadership in the transport industry.

Safety Award

There is another area in which your company has been consistently outstanding, and I refer to our enviable safety record of which we are very proud. Travelling an average of 800,000 miles per month our fleet, thanks to the responsible attitude shown by our drivers, was awarded a trophy for the most improved motor fleet safety record by Transport Indemnity Co., one of the large insurance agents for transport companies. Your company was the only Canadian company to win this award in 1965. This follows the 1963 National Truck Safety Award by the American Trucking Association.

Your company pays special attention to safety and driver training programs. Safety awards are offered to our drivers for each year they drive without accident, and we take pride in the fact that we have drivers who have received such awards for as many as 14 years.

Growing Volume of Business

Economic conditions generally in the three main market areas served by your company are, of course, excellent. Montreal spurred by Expo 67 is booming. The triangle from the Lakehead to Toronto and Ottawa provides the country's busiest and richest market. In British Columbia the rate of economic growth in many areas surpasses the national average.

The port of Vancouver now handles more dry cargo freight than any other port in the western Americas. Plans are now in motion for a fifty million dollar extension of present docking facilities at this port. Last year there were 1878 deep-sea arrivals, with a further increase expected this year.

On the basis of our present operations we anticipate an increase in freight revenue for 1966, and are projecting a further improvement in our pre-tax profits to 12% of revenue.

Your company is serving more than 9,000 individual customers, and in addition to handling general freight also transports large quantities of

strategic materials including products for the Atomic Energy Commission.

Growth of Industry

The Canadian trucking industry as a whole has enjoyed considerable growth in the past few years. Total revenue as estimated by the Bureau of Statistics was close to one billion dollars last year, an increase of 35% from 1961. Total investment in the industry now also represents about one billion dollars. Employing more than 125,000 people the industry has recently achieved long overdue recognition as an equal with all other forms of transport, and in the past year the Federal Department of Transport has established a new Railway and Highway branch. In all areas truck transport wages are higher than those paid in the railway industry, and highway transport continues to increase its share of total freight volume. Mention should be made here of our excellent relationship with the locals of the Teamsters Union, and of the fine spirit of co-operation prevailing between labour and management.

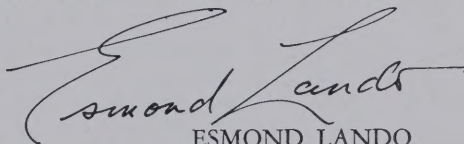
Tribute to Management

I am happy to pay tribute to the most important element in the company's operations — the management team and the entire staff. Without the diligent application of their special skills we could not have achieved our present status in the industry. Under Vice-President and General Manager James McDuff there has been built a management team of which we are justly proud, nor can I praise too highly the men who operate the tractors and the unsurpassed safety record that they have achieved.

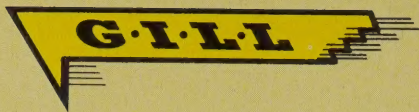
As for the current year I am happy to say that the results of the first quarter indicate that your company will meet or exceed all of its targets for the year.

An interim statement of the first half year's operations to the end of June will be forwarded to the shareholders and you will be kept informed of any other events affecting the progress of the company.

On behalf of the Board of Directors.


ESMOND LANDO,
President.

April 15th, 1966.



GILL INTERPROVINCIAL LINES LTD.

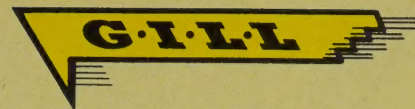
CONSOLIDATED BALANCE SHEET as at 31st

ASSETS	1965	1964
Current assets		
Cash	\$ 256,941	\$ 5,798
Government of Canada—treasury bills—at market value	—	248,536
Accounts and notes receivable—(after allowance for doubtful accounts)	1,211,254	496,097
Sinking fund deposit	2,900	—
Refundable deposits	32,683	12,395
Prepaid expenses—tires, parts, licences, etc.	71,227	112,203
	<u>\$1,575,005</u>	<u>875,029</u>
Fixed assets		
Line haul, terminal and office equipment—at cost	\$1,153,877	\$ 976,353
Deduct: accumulated depreciation	329,798	178,883
	<u>824,079</u>	<u>\$ 797,470</u>
Deferred charges		
Prepayments on leased equipment	\$ 14,566	\$ 17,442
Unamortized debenture discount	16,980	17,738
	<u>31,546</u>	<u>\$ 35,180</u>
Franchise, operating rights, goodwill and excess of cost of shares of subsidiary over book value of underlying assets—at cost	<u>34,208</u>	<u>\$ 34,388</u>
	<u><u>\$2,464,838</u></u>	<u><u>\$1,742,067</u></u>

Approved on behalf of the Board:

HAROLD FREEMAN, *Director.*

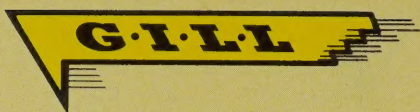
MORLEY KOFFMAN, *Director.*



and its wholly owned subsidiary

December, 1965 (with comparative figures for 1964)

LIABILITIES	1965	1964
Current liabilities		
Bank loan—secured	\$ 180,000	—
Uncashed cheques	98,434	\$ 16,175
Accrued payroll	92,956	76,620
Accounts payable and accrued charges	397,492	281,608
Estimated corporation income taxes	167,987	66,405
Long-term liabilities and sinking fund payments due within one year	179,817	98,275
	<u>\$1,116,686</u>	<u>\$ 539,083</u>
Long-term liabilities		
6 ³ / ₄ % convertible sinking fund debentures Series A—maturing 15th November, 1974 (Note 2)	\$ 300,000	
Less: converted into common shares	14,100	
	<u>\$ 285,900</u>	<u>\$ 299,400</u>
Equipment liens payable	693,996	701,506
	<u>\$ 979,896</u>	<u>\$1,000,906</u>
Deduct: current amount shown above	179,817	98,275
	<u>800,079</u>	<u>\$ 902,631</u>
Accumulated tax reductions applicable to future years (Note 1)	<u>83,880</u>	<u>\$ 31,830</u>
Total liabilities	<u>\$2,000,645</u>	<u>\$1,473,544</u>
Shareholders' equity		
Capital stock		
Authorized 500,000 common shares without nominal or par value		
Issued and fully paid—328,820 shares (Note 3) (326,120—1964)	\$ 206,754	\$ 194,064
Surplus		
Earned surplus	\$ 249,339	\$ 66,359
Paid-in surplus	8,100	8,100
	<u>257,439</u>	<u>\$ 74,459</u>
	<u>\$ 464,193</u>	<u>\$ 268,523</u>
	<u>\$2,464,838</u>	<u>\$1,742,067</u>



GILL INTERPROVINCIAL LINES LTD

NOTES TO THE CONSOLIDATED BALANCE SHEET

As at 31st December, 1965

Note 1

The provision for income taxes of \$267,335 is based on earnings for the year. By claiming, for income tax purposes, capital cost allowances in excess of depreciation recorded in the accounts, the tax payable has been reduced by \$52,050. This amount together with the previous year's adjustment is carried as "accumulated tax reductions applicable to future years". Such credits will be returned to income in those future years when the capital cost allowance claimed will be less than the depreciation recorded in the accounts.

Note 2

6 $\frac{3}{4}$ % Convertible Sinking Fund Debentures Series A are subject to a trust indenture dated 15th November, 1964 which provides, among other things, that the debentures are:

- a) secured by a floating charge on the assets of the company.
- b) redeemable under certain conditions from time to time at a premium varying from 6% to nil.
- c) convertible at the holders' option on the following basis:

On or before 15th November, 1966	\$5.00 per common share
Thereafter and on or before 15th November, 1968	\$6.00 per common share
Thereafter and on or before 15th November, 1970	\$7.00 per common share
Thereafter and on or before 15th November, 1972	\$8.00 per common share
Thereafter and on or before 15th November, 1974	\$9.00 per common share

Sinking fund requirements are \$15,000 on 15th November, 1965 and \$30,000 on 15th November in each of the years 1966 to 1973, inclusive.

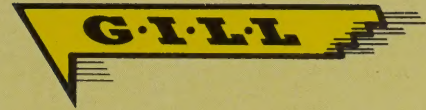
Note 3 — Share Capital

During the year 2,700 shares were issued on conversion of 6 $\frac{3}{4}$ % convertible sinking fund debentures. The value attributed to such shares was \$12,690. 57,180 unissued common shares are reserved for possible issuance upon conversion of 6 $\frac{3}{4}$ % convertible sinking fund debentures.

Options have been granted to certain officers and executives of the company for the issue of 40,000 common shares at a consideration of \$6.25 per share exercisable at any time up to 31st October, 1974.

Note 4

The company as lessee with respect to its Vancouver and Toronto terminals has contractual obligations expiring at varying times to 1985. Payments under these leases will amount to \$56,421 per annum for the next five years.



and its wholly owned subsidiary

CONSOLIDATED EARNED SURPLUS STATEMENT

For the Year Ended 31st December, 1965

Balance at beginning of the year	\$ 66,359
Earnings for the year—after income taxes	264,843
	<u>\$ 331,202</u>
Dividends paid—25c per common share	81,863
Balance at end of the year	<u><u>\$ 249,339</u></u>

CONSOLIDATED OPERATING STATEMENT

For the Year Ended 31st December, 1965

(with comparative figures for 1964)

	1965	1964
Freight revenue	\$4,771,081	\$4,004,950
Operating expenses		
Transportation	\$2,321,944	\$2,036,533
Equipment maintenance	202,026	155,842
Terminal expenses	782,790	631,537
Sales and traffic expenses	198,347	147,001
Insurance and safety	108,883	165,022
Licences and taxes	86,054	59,037
Administrative and general	294,265	263,061
(1965 directors' fees and/or salaries \$41,246)		
Interest on long-term debt	85,211	45,824
Other interest	—	12,458
Expenses of financing	—	28,415
Provision for depreciation	159,383	89,330
Loss on disposal of equipment	—	14,061
	<u>\$4,238,903</u>	<u>\$3,648,121</u>
Net profit before income taxes	\$ 532,178	\$ 356,829
Income taxes (Note 1)	267,335	102,190
Net profit for the year—transferred to earned surplus	<u>\$ 264,843</u>	<u>\$ 254,639</u>
Earnings per share	<u><u>\$.81</u></u>	<u><u>\$.78</u></u>

FREDERICK GRAHAM & CO.

CHARTERED ACCOUNTANTS

VANCOUVER, B. C.

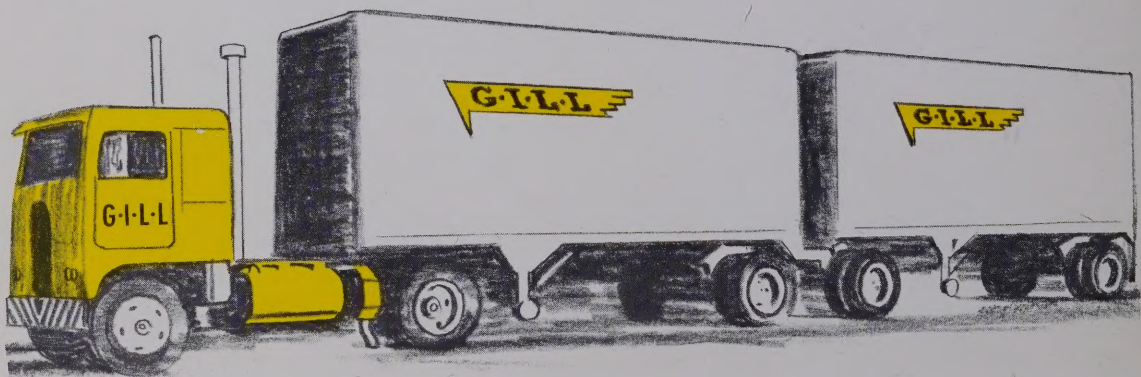
17th March, 1966

To the Shareholders,
Gill Interprovincial Lines Ltd.,
Vancouver, B.C.

We have examined the consolidated balance sheet of Gill Interprovincial Lines Ltd. and its wholly owned subsidiary as at 31st December, 1965, and the consolidated operating statement and consolidated earned surplus statement for the year ended on that date and have obtained all the information and explanation we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated operating statement and consolidated earned surplus statement are properly drawn up in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, so as to exhibit a true and correct view of the consolidated state of affairs of the companies as at 31st December, 1965 and consolidated results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

FREDERICK GRAHAM & CO.,
Chartered Accountants.



THE ON-TIME LINE